Homeownership Opportunity Program

Guidelines for Communities & Developers

JANUARY, 1988

INCLUDES ADDENDUM
(February 12, 1988)

AN INITIATIVE OF THE MASSACHUSETTS HOUSING PARTNERSHIP

MICHAEL S. DUKAKIS, GOVERNOR

HOMEOWNERSHIP OPPORTUNITY PROGRAM

PROGRAM GUIDELINES

Massachusetts Housing Partnership

Michael S. Dukakis, Governor

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Massachusetts Housing Partnership

100 Cambridge Street
Boston, Massachusetts 02202
(617) 727-7824

Massachusetts Housing Partnership

HOMEOWNERSHIP OPPORTUNITY PROGRAM

PROGRAM GUIDELINES

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SECTION 1. INTRODUCTION AND SUMMARY

The Homeownership Opportunity Program (HOP) is an initiative of the Massachusetts Housing Partnership. Under the auspices of the Housing Partnership, the program is jointly administered by the Executive Office of Communities and Development (EOCD) and the Massachusetts Housing Finance Agency (MHFA). The enclosed Guidelines describe how the Homeownership Opportunity Program functions -- the program requirements, the structure of the subsidies involved, and how an application is filed.

For those familiar with the way in which the HOP program has functioned over the last twelve months, there are several significant program changes worth noting:

(1) The program will no longer distinguish between so-called "Low-HOP" and "Mod-HOP" units. Instead, the program will focus on <u>HOP-financed</u> units.

(2) The HOP-Assisted units in a project must have an <u>average</u> price which does not exceed $75,000. Individual HOP-Assisted units may have prices above and below this level, so long as the average does not exceed $75,000. (For example, some units might be priced at $65,000 and some at $85,000.) In this way, the program can serve households with a broader range of incomes.

(3) The percentage of affordable units in a HOP project must be no less than 30%. (This percentage is the same whether or not the project is seeking a comprehensive permit.) Of that amount, at least 5% of the units must be made available for low-income households, typically through sale to the local housing authority under the Chapter 705 program.

(4) HOP approvals will generally be made through competitive funding rounds, with the first round having applications due on March 18, 1988.

EXECUTIVE SUMMARY

The HOP Program is based upon a "local partnership" that is formed by the community and developer. Where the community and developer can work together to reduce development costs normally borne by the homebuyers, the prices on a portion of the units may be reduced. For these units, low-cost mortgage financing is provided for qualified first-time homebuyers. In addition, the re-sale of these affordable units is restricted to maintain affordability over time.

To be eligible for the HOP program, a project must contain a minimum of 30% of the units which are affordable to low and moderate income families. These affordable units will be priced at or below an average of $75,000, and they will receive low-cost mortgages (currently the initial interest rate is set at 5.5%). These units will be sold to first-time homebuyers with incomes in the $20,000 to $33,000 range. Since the prices for these HOP units will generally run 15% to 50% below comparable "market" prices, their re-sale is restricted (by deed) so that they must be sold at a price which is similarly discounted.

Some of the affordable units (5% to 10%) will be set aside for rental by lower income families; these units will typically be sold to the local housing authority and then rented to eligible families.

HOP projects are selected for funding through a semi-annual competitive review process, where priority is given to projects according to the following criteria:

(a) the degree of affordability, with preference for projects serving families with the lowest incomes (at the lowest subsidy cost);

(b) the degree of local support;

(c) the strength of the development team and design, and the marketability of the project;

(d) the readiness of the project to proceed; and

(e) the degree to which the project is located in a community or region which is under-served by the program.

Projects selected through each competition will then be invited to submit an application to MHFA for a set-aside of mortgage financing.

HOW TO USE THESE GUIDELINES

These Guidelines have been designed to acquaint the reader with the Homeownership Opportunity Program (HOP) of the Massachusetts Housing Partnership. They have been written to expand on the HOP Regulations (760 CMR 37.00) that have been promulgated for the program, to provide further guidance on its operation, and to explain how HOP funds may be utilized to assist in the creation of affordable housing throughout Massachusetts.

For ease of understanding, this package has been divided into five (5) major sections, each dealing with separate aspects of the HOP Program. These sections are:

Section 1 - Introduction and Summary
Section 2 - Operating Policies and Program Requirements
Section 3 - Application Procedures
Section 4 - Program Regulations
Section 5 - Appendices

As part of an extensive technical assistance effort, the Massachusetts Housing Partnership has established regional offices to assist communities in forming local housing partnerships to create affordable housing. The staff of the MHP regional offices is available at the locations and numbers listed below to assist communities as well as interested non-profits and developers in their efforts to produce new affordable housing through the HOP Program or through other MHP initiatives.

MHP Regional Office	Phone Number
Central Massachusetts (Worcester)	617-755-7737
Metropolitan Boston (Boston)	617-727-7824
Northern Massachusetts (Andover)	617-470-3800 x227
North Shore (Peabody)	617-532-8894
Southeastern Massachusetts (Bourne)	617-759-4991
Western Massachusetts (Amherst)	413-549-6442
South Shore (Braintree)	617-843-1726

If you have specific questions on the HOP program prior to the first HOP competition, workshops are being sponsored every two weeks and you are invited to attend. The workshops are scheduled as follows:

Friday, February 12:	1:00 p.m. to 2:30 p.m. Room 1319 100 Cambridge Street Boston, MA
Friday, February 26:	10:30 a.m. to 12:00 noon Framingham Public Library Framingham, MA
Friday, March 11:	10:30 a.m. to 12:00 noon Room 1704, 100 Cambridge Street Boston, MA

At these workshops, MHP and MHFA staff will be available to answer specific questions about the HOP program, and the submission of proposals under the first competition.

SECTION 2. OPERATING PROCEDURES AND PROGRAM REQUIREMENTS

OVERVIEW OF THE MASSACHUSETTS HOUSING PARTNERSHIP

In an effort to increase the supply of decent and affordable housing in every part of the state, Governor Michael S. Dukakis formed the Massachusetts Housing Partnership (MHP) in 1985. The mandate of the MHP was very direct: establish a network of community-based partnerships to produce and preserve affordable housing throughout Massachusetts.

To meet this mandate a group of state and local officials, bankers, developers, legislators, advocates, and housing experts was brought together to develop and co-ordinate necessary resources and policies. As a result of the work of this group (the MHP Board), a series of initiatives has been designed to address various aspects of producing affordable housing. These initiatives have included incentives to:

- re-use abandoned and vacant property in our older urban areas;
- develop new affordable housing for first-time homebuyers;
- create mixed-income rental housing; and
- provide housing and supportive services for those who are particularly "at risk" of becoming homeless.

While these incentives were being designed at the state level, the MHP was also at work to assist in the establishment of the local component that would be necessary to successfully create affordable housing. Specifically, MHP encourages communities to form local housing partnerships made up of representatives from all sectors of the community to identify their housing needs, to determine their development priorities, and to implement projects designed to produce housing appropriate for all income groups.

Once these local housing partnerships are formed, a wide variety of development incentives are available to assist in the development of such housing. Technical assistance is available to help communities formulate a housing strategy, identify local resources which can be contributed to the creation of affordable housing, or negotiate with a private developer. Resources are available for development assistance in the form of low-interest mortgages for homebuyers, infrastructure grants for developers, and low-cost construction financing for mixed-income rental housing. Additionally, front-end financing costs to acquire properties or analyze development feasibility is available to qualified non-profit development organizations to ease the significant front-end costs associated with initiating a project.

Over one hundred and twenty (120) communities have formed local housing partnerships throughout the state, and many additional cities and towns are taking preliminary steps which will lead to the establishment of a partnership.

THE HOMEOWNERSHIP OPPORTUNITY PROGRAM: THE BASICS

Program Summary

With the average price of a single family home more than doubling since 1983, the Homeownership Opportunity Program (or "HOP") was announced in January of 1986 as a major initiative of the Massachusetts Housing Partnership. Under the Homeownership Opportunity Program, communities and developers work together to build housing which is affordable to low and moderate income families. Communities provide reduced-cost sites or allow increased densities. Developers provide a number of units at reduced price levels. The State provides low-cost mortgage financing. In this way, the new homes produced under the program are affordable to families currently priced-out of the housing market.

The HOP Program is production-oriented in that it seeks to support the development of new housing units, either through new construction or through the renovation of space that has not previously been used as housing. It attempts to do this by building upon the "local partnership" that is formed by the community and developer to reduce overall development costs normally borne by the homebuyer. The program works through a combination of incentives that: (a) limits the sales prices on a portion of the units, (b) encourages local contributions to a development, (c) provides low-cost mortgage financing for qualified buyers, (d) allows for increases in the density (where appropriate) permitted on a given site, and (e) restricts re-sale to maintain affordability over time.

In order for a project to be eligible for the HOP program, a minimum of 30% of the units must be affordable to low and moderate income families. Most of these affordable units will be priced at or below an average of $75,000, and they will receive low-cost mortgages through MHFA (currently the initial interest rate is set at 5.5%); these units will be sold to first-time homebuyers with incomes in the $20,000 to $33,000 range. Some of the affordable units (5% to 10%) will be set aside for rental by lower income families; these units will typically be sold to the local housing authority.

HOP units typically sell for prices at least 15% to 50% below comparable "market" prices, and as a result their re-sale is restricted (by deed) so that the re-sale price is similarly discounted. In this way, the original purchaser is able to make a fair return on his/her investment, while the housing remains relatively affordable over the long term. In addition, the program recaptures the subsidy that has been used to subsidize the low-interest rate mortgages so that additional units can be created in the future.

Buyers for the HOP units are typically selected by lottery. Where a community is making substantial contributions to a HOP development, preference may be given to local residents for a significant portion of the units.

HOP projects are selected for funding through a competitive review process, conducted twice yearly, where priority is given to projects which: (a) have a high degree of affordability, serving families with the lowest incomes; (b) have a high degree of local support, through the local housing partnership; (c) have a strong development team and design, and are readily marketable; (d) are ready to proceed; and (e) are geographically spread throughout the Commonwealth.

Development Types

Recognizing the need to work in a variety of widely divergent housing markets throughout Massachusetts, the HOP Program has been designed to be as flexible as possible to meet the requirements of these markets. Communities and developers are encouraged to work together to design a project that can be successful in the housing market in which it is to be built, and appropriate to the goals and development concerns of the community.

There is no one preferred development type, and any type of development can qualify as long as it meets the standards of the program. To date, construction types have included both "stick-built" and modular designs, and have been built as single homes, townhouses, low-rise, and mid-rise buildings. The program gives preference to projects which create "family" housing, which includes two or more bedrooms. The program also gives preference to projects which create housing which is affordable to lower income households. As a result, where all other things are equal, preference will be given to single-family homes, rather than condominiums, since it is harder for a lower income household to qualify to purchase a condominium when condo fees are included.

Eligible Applicants

The HOP Program has been designed to encourage cooperative ventures between local housing partnerships and participating developers. In limited circumstances, the Program will allow developers to submit applications independently, where it is clear that the particular community is not supportive of affordable housing efforts. Therefore, an eligible applicant for HOP funds may include a community, a private for-profit developer, a non-profit developer, or a combination of any of these entities. Due to the commitment of the Massachusetts Housing Partnership to encourage localities to play an active role in identifying and addressing their housing needs, the HOP Program will give priority to those housing developments that are submitted as joint venture efforts between the involved community and the developer.

Projects may be submitted by eligible applicants as outlined under the three options described briefly below:

(1) Joint Applications. The primary objective of the program is to encourage localities and builders to plan together to meet the housing needs of the community. A joint application, which includes the active participation of the city or town working with

a developer, is the preferred way to meet this objective. The degree of local participation in such a collaborative effort will differ from project-to-project and from community-to-community, but might include: donating buildings or sites to the project; increasing the permitted density; committing local resources to do infra-structure improvements normally required of the developer; assisting in the marketing of affordable units and the financial pre-screening of prospective buyers; waiving permit fees; or aiding with the permitting process. Applications can be submitted under this category by communities for specific sites under their control, even where a developer has not yet been identified, but where the project is otherwise ready to proceed.

(2) Locally-Supported Projects. From time to time, a community may not be able to be a full joint participant in a HOP development, but may be willing to give its endorsement to the project. In these instances, a developer may apply for HOP funds directly to the MHP if he/she can document that he/she has secured the general support of the community for the proposed project. A letter of support for the project from the local housing partnership (or from the Chief Elected Official of the locality if there is no local partnership) must be included as part of the HOP application noting any conditions under which this support is granted.

(3) Developer Applications. In some circumstances, a developer may not be able to secure the active participation or support of the community in which the proposed HOP project is to be located. In many cases, a community has legitimate grounds for denying its support for a proposal. However, there may be situations where: (a) the developer has attempted in good faith to secure the support of the community, through meetings with local development officials, the planning board, and other elected officials, and (b) that support has been refused without good cause. In such instances, the developer may apply directly to the MHP for funding if he/she is able to document that both of these additional requirements have been met. Whenever such an application is submitted, the MHP will immediately solicit comments from the involved community and local housing partnership (if one exists) concerning the proposed development. Any legitimate planning and development concerns raised by the community will be incorporated into the review process for the particular project. Failure by the developer to address these concerns may eliminate the proposal from further consideration.

While this section has described the various ways in which applications for HOP funds can be submitted, it should not be seen as minimizing the influence that local support of a project can have in the eventual allocation of resources. Support from citizens, local groups, and communities will be accepted during the review of applications in what is expected to be an extremely competitive process. In particular, comments from active local housing partnerships, either in support or opposition to a specific development, will be carefully reviewed prior to the allocation of HOP funds to any development.

Program Structure

Among housing programs that are available to provide financing, the HOP Program is unique in its approach to creating affordable housing units. It attempts to deal directly with the price of units, the cost of available mortgage financing, and other development requirements to reduce the overall cost of the housing that is created. In order to do this, the program relies on both external (public) and internal (private) subsidies so that a significant portion of every development is affordable. This section describes some of the major elements and requirements of the HOP Program.

(1) Categories of Housing Units within a HOP Development

The type and style of housing units that can be built under the HOP Program are not limited to any preferred option. However, in order to differentiate among the sources of public funds that will ensure the affordability of the units, some categorization is helpful. These are described briefly below:

- HOP-Assisted Units: The primary category of affordable unit that will be constructed under the program is the HOP-Assisted unit. These units are to be made available to households whose incomes generally fall in the low to moderate income range (generally $20,000 - $33,000). Units must be priced within the parameters established elsewhere in these Guidelines, and they will have mortgage financing available through MHFA for qualified buyers that is substantially below conventional financing, typically with an initial rate as low as 5% to 6%.

- Low-Income Rental Units: Another objective of the HOP Program is to provide a range of housing opportunities -- including some housing for low-income families or other households particularly "at risk" in the current housing market. As a result, a number of units (5% to 10%) in each HOP development must be set aside for such households. The units may be offered for sale to the local housing authority in the community. In such cases, funding for these units will be provided through EOCD's Housing Division so that the housing authority may purchase the units as family housing (Chapter 705) or as special needs housing (Chapter 689). Alternatively, ownership of this housing may be retained by the developer and the units made available for rental by families holding Section 8 or Chapter 707 certificates.

- Market-Priced Units: Within a HOP development, there will typically be a significant proportion of units which are market-priced. Profit is generated on these units so as to provide an internal "subsidy" to write-down the cost of the affordable units. The market units should be priced at a level that is appropriate for such a unit on the open market. Market-priced units can be sold to any household that can qualify for a conventionally-financed mortgage.

- MHFA-Financed Units: MHFA is able, on a limited basis, to provide tax-exempt mortgage financing to first-time homebuyers at rates somewhat below conventional financing (typically about 2% below). Such mortgage financing may be able to be set aside for some additional units in a HOP development, when prices do not exceed MHFA limits, for potential buyers whose incomes fall within MHFA income limits. However, it should be understood that where such units are priced near the maximum levels allowed by MHFA, downpayments substantially in excess of 5% will be required by purchasing families in order to qualify for financing.

Further information on the specifics of the various types of categories listed above are contained in later sections of these Guidelines.

(2) Eligible HOP Developments

One of the central objectives of the program is to stimulate the production of affordable housing within mixed-income developments. Therefore, a proposed HOP project must contain a minimum level -- at least 30% -- of affordable units in order to be eligible under the HOP Program. Units qualify as "affordable" if they are either HOP-Assisted units or low-income units.

A minimum of 5% of the total units in a development must be set aside for low-income families (or for other "at risk" households). Such units might typically be offered to the local housing authority for purchase under the state's family or special needs programs and then rented to qualified low-income families. It should be noted that projects which set aside a higher percentage (up to 10%) of units for low-income households will receive priority within the competitive review process.

The remaining affordable units necessary to meet the 30% minimum must be HOP-Assisted units. For example, if the number of units set aside for low-income housing were 5%, then at least 25% of the units must be HOP-financed for the project to be eligible under the HOP program.

It is important to note that the percentages of affordable units cited in this section (25% and 5%) represent minimum levels only. The community and the developer are free to establish a higher level of affordability should it be economically feasible to do so. In such cases, the project will receive priority in the competitive review process.

As an example, in order to be minimally eligible, an 80 unit development might include: (a) 20 units which will be HOP-Assisted; (b) 4 units which will be sold to the housing authority under the Chapter 705 program; and (c) 56 market units. In order to be more competitive, the same 80 unit project might contain: (a) 24 HOP-Assisted units; (b) 8 units to be sold to the housing authority; and (c) 48 market units.

(3) Income Limits

In order to target the affordable units that will be produced under this program to households that could not otherwise afford to buy their own home in the current housing market, income ranges have been established for each of the types of units created. These income limits are outlined below:

- HOP-Assisted Units: These units are to be geared to households that are considered low and moderate income and, generally, fall in the $20,000 - $33,000 income range. The average income served by all HOP-financed units in a project should not exceed 80% of the area median income. Where the HOP-Assisted units are priced at a range of prices (see below), the incomes of those served will also vary over a range. The targeted income level for each of the regions of the State is included in the Appendices. (In the Boston region, for example, 80% of the area median is $29,920.) The income limits for individual units will be established when the marketing plan for the development is approved.

- Public Housing Units: Eligibility standards for public housing units are generally established according to the parameters of the various programs being used. Typically, people who would qualify for such programs are considered low income if they earn less than 64% of the median income for the area. (In the Boston metropolitan area, the current maximum income for a family of four under the State's housing programs is $21,760.)

- Market-Priced Units: No income limits are established for the purchase of market-priced units sold within a HOP development. Assuming that prospective purchasers can qualify for a conventionally-financed mortgage, developers are free to sell these units to whomever they choose, consistent with a fair and equitable marketing policy.

- MHFA-Financed Units: Eligibility to purchase a unit with MHFA resources is targeted to families with somewhat higher incomes than allowed for HOP-Assisted units. These limits differ by family size and location within the state. (In the Metropolitan Boston area, for example, the maximum income for a household with two or more persons is $43,000.) The maximum incomes allowed for the various areas of the State are included in the Appendix to these Guidelines. It should be noted, however, that where units are priced at the maximum levels permitted for MHFA-Financed units, downpayments substantially above the 5% level will be needed in order for families to qualify for mortgage financing.

The income levels noted above represent the maximum income allowed for the purchase of a particular unit. From time-to-time, they may be changed and the HOP Program Guidelines will be modified to keep pace with these changes.

(4) Prices

In addition to establishing income limits for the purchase of these HOP units, acquisition maximums have been set for each of the various types of units provided under this program. They are as follows:

- HOP-Assisted Units: A standard, fixed average price has been established as the maximum amount that can be charged for HOP-Financed units. That price is $75,000 and is for units that have at least two bedrooms. (NOTE: One-bedroom HOP-Assisted units are generally not allowed.) The HOP Program will allow individual units in a project to be sold at somewhat higher prices, so long as the average sales price of all HOP-Assisted units in a project does not exceed $75,000. In no event shall the price for a HOP-Assisted unit exceed $95,000. How the prices are set will be left to the developer and the community to establish for individual projects, but the 4 following examples are illustrative of the flexibility allowed:

  Example #1: 10 HOP-Assisted Units all selling for $75,000.
  Average Price = $75,000

  Example #2: 10 HOP-Assisted Units with 3 at $65,000, 4 at $75,000, and 3 at $85,000.
  Average Price = $75,000

  Example #3: 10 HOP-Assisted Units with 5 at $60,000 and 5 at $90,000.
  Average Price = $75,000

  Example #4: 10 HOP-Assisted Units with 2 at $55,000, 2 at $65,000, 2 at $75,000, 2 at $85,000, and 2 at $95,000.
  Average Price = $75,000

  In this last example, the income groups served might be as follows (assuming the project is single-family homes financed with HOP mortgages with an initial interest rate of 5.5%):

Price	Income Group Served
$55,000	$17,300 - $20,500
$65,000	$20,500 - $23,600
$75,000	$23,600 - $26,800
$85,000	$26,800 - $29,900
$95,000	$29,900 - $32,900

  In this way, the units could be marketed to a continuous income group from $17,300 to $32,900.

- Public Housing Units: Housing units purchased by local housing authorities within a HOP development should be at a price that does not exceed the general development cost of that particular unit. Those acquisition costs will generally not be allowed to exceed the following limits:

Family Housing, 2 Bedroom	$85,000
Family Housing, 3 Bedroom	$95,000
Family Housing, 4 Bedroom	$105,000
Special Needs Housing	[Consult EOCD's Housing Division]

- MHFA-Financed Units: Acquisition cost limits for MHFA-financed units have been recently increased to maintain consistency with all other MHFA programs. The current limits are noted below by geographic area and are also not differentiated by number of bedrooms:

Boston Area	$130,000
Lawrence-Haverhill Area	$121,000
Salem-Gloucester Area	$110,000
Lowell Area	$110,000
Attleboro Area	$130,000
Balance of State	$110,000

- Market-Priced Units: As noted earlier, these units are not fixed in price in any way. They should, however, be priced in a way that is realistic for the area in which they are located and the type of unit created.

Note: the prices listed above for both HOP-Assisted and MHFA-Financed units are the maximum prices that can be charged for any particular unit. Communities and developers are encouraged to price units that are lower than these maximum limits so that a broader range of incomes may be served. Those developments that contain affordable units that are priced below these maximum limits will gain a competitive advantage in the allocation of HOP funds.

(5) Available Financing

One of the primary sources of subsidy assistance provided under the HOP Program is low-cost mortgage financing for the purchasers of the affordable units. The financing is based in part on tax-exempt bonds issued by the Massachusetts Housing Finance Agency. Generally, MHFA mortgages carry interest rates that are several points below the rate which is available through conventional mortgage lenders and, subsequently, can make these units more affordable to a wider range of incomes. As with the other issues affecting affordability (e.g., price, income), mortgage financing provided through the HOP Program is also differentiated by the type of affordable unit involved.

- HOP-Assisted Units: These units will receive mortgage financing which is assisted in two ways. The mortgage itself will be provided through MHFA at a rate which is already below conventional rates. That rate is currently 8.5% (although this rate may vary according to the particular tax-exempt rate in effect at the time commitments are made) for a fixed rate loan and will generally range 1% - 3% below conventional rates. A subsidy from the Massachusetts Housing Partnership (MHP) will buy-down that already reduced interest rate even further. This subsidy,

which is provided in the form of a second mortgage, will lower the initial rate of a MHFA mortgage by an additional 3%. At this time, available mortgage financing for these units will be as low as 5.5% initially and will gradually increase over time as noted in a later section.

- MHFA-Financed Units: These units will receive a subsidized mortgage as well, although it will not be as great as those for "HOP-Assisted" units. Buyers of such units will be able to secure a reduced rate MHFA mortgage (currently at 8.5%), but not the further interest subsidy write-down. These are fixed rate mortgages, with a standard term of up to 30 years.

The available financing provided under the HOP Program is generally assumed to be provided through MHFA because of the below-market tax-exempt rate mortgages that they can provide, as well as the technical assistance and administrative services offered by MHFA. In limited circumstances, the program will consider providing interest write-downs under the "HOP-financed" category on conventional financing should that financing be competitive with the mortgages then being provided by MHFA and should those lenders be able to administer HOP funds.

(6) Subsidy Structure

The subsidy provided by the MHP for "HOP-Assisted" units is made in the form of an interest-free loan, secured by a second mortgage, to the borrower to buy-down the interest rate of the first mortgage used to purchase the home. While this results in the interest rate of the first mortgage being lowered by as much as 3% initially, the subsidy gradually decreases over time until the mortgage rate reaches the actual rate of the MHFA loan at the time the loan was closed. The increase in mortgage rate is gradual so that it does not place a financial strain on the borrower to keep up with these mortgage payments, yet should keep pace with an owner's gradually increasing income. An example of the current subsidy structure is as follows:

Year of Mortgage	First Mortgage Interest Rate	Rate Actually Paid by Borrower
1	8.5%	5.5%
2	8.5%	5.5%
3	8.5%	5.5%
4	8.5%	5.5%
5	8.5%	5.5%
6	8.5%	6.5%
7	8.5%	6.5%
8	8.5%	7.5%
9	8.5%	7.5%
10-30	8.5%	8.5%

It is estimated that the value of this subsidy will be approximately $13,000 for an average mortgage and will result in significantly lower monthly payments on the part of the homeowner during the early years of

the mortgage term. This subsidy is made as a 0% loan to the borrower and as a second mortgage on the home. No payment on this loan is required until the unit is resold or refinanced, at which point a portion of it will have to be repaid. This repayment is described further in the section of these Guidelines dealing with deed restrictions.

(7) Unit Sizes

Minimum unit sizes have been established for the various units that are likely to be built under the HOP Program. This has been done so that affordable units will be adequately sized and so that they can meet the underwriting standards that mortgage insurers use to qualify a development for mortgage financing.

All units must be at least 700 square feet in order to be considered under the HOP Program. This figure is an absolute requirement in order to receive the approval of project underwriters. Additionally, recommended minimum sizes have been established for differing numbers of bedrooms. They are:

Number of Bedrooms	Minimum Size
1	700 square feet
2	900 square feet
3	1,200 square feet
4	1,400 square feet

The square footages listed above are recommended sizes for livable units. Developers may find that actual units in their proposed developments may have to be larger in order to be able to be marketed in the area in which the development is located. Financing will not generally be provided for one-bedroom units.

A brief set of design standards have been developed for the HOP Program by MHFA. These standards are contained in the Appendix section of these Guidelines. Developers and communities should review these standards to ensure that their proposed development is consistent throughout.

(8) Size and Density of Developments

To date, there has been no limit on the size of projects that have been accepted into the HOP Program. To date, approved projects have had as few as one unit and as many as 241 units. However, for the sake of efficiency in project review, some general standards have been established for the program and are explained below. These standards are not meant to provide absolute limits on any development, but to express characteristics which will trigger a higher level of review. Developments not conforming to these standards may be submitted, but will undergo an additional level of review to determine their appropriateness to the HOP Program.

- Number of Units: Developments with at least 10 units and not more than 175 units will undergo normal HOP project review; projects outside these limits will receive additional scrutiny as to their feasibility and appropriateness. Communities packaging locally-owned land for "in-fill" projects may submit developments encompassing several sites in order to conform to this standard.

- Concentration of MHFA Financing: Generally, no one project should exceed $8 million in mortgage financing from MHFA (i.e., no more than about 110 to 130 HOP-Assisted or MHFA-financed units). These resources are provided for all HOP-Assisted and MHFA-financed units and are computed assuming 95% mortgages for all units in these categories.

- Units Per Acre: Unless specifically permitted by the community, the density of HOP developments generally may not exceed the higher of: (a) 8 units per acre (based on the total acreage of the site), or (b) the density of the surrounding neighborhood.

- Density Relief: Many HOP projects will seek an increase in the density allowed for a particular piece of land through either a re-zoning of the land, a special permit, or a comprehensive permit. This relief should be reasonable given the general zoning and development pattern for the contiguous area in which the property is located. Without local support, the level of relief sought may not exceed four times the higher of: (a) the density of the surrounding neighborhood, or (b) 2 units/acre.

(9) Supplemental Issues

In addition to the program requirements outlined above, there are other factors that may also effect the structure of a particular development project. These points are outlined below:

- Construction Financing. At this point, construction financing is not available directly under the HOP program. MHFA is currently exploring the possibility of providing this service. Should this option be offered at a later date, all participants will be notified. At this time, developers will have to secure their own construction financing from conventional sources.

- Condominium Fees. The HOP Program has established a structure intended to produce housing that can be purchased by low and moderate income households. This structure can be dramatically altered by the inclusion of condominium or homeowner's association fees. (All condo fees with the exception of unit utility charges are included as part of the underwriting standards for homebuyer mortgage qualification.) Fees should be realistic to the types of services provided and not act to make an otherwise affordable unit, unaffordable. High fees may force a developer to accept a lower sales price so that the unit remains affordable to the people that the program has been designed to serve.

- Investor-Owned Units. Generally, no more than 20% of all units in any HOP development may be investor-owned. This is a requirement imposed by the mortgage insurance industry and the secondary mortgage market, and must be complied with in order for a development to be eligible under the HOP Program. Units sold to the local housing authority are, for the purposes of mortgage underwriting, considered to be "investor-owned."

- Downpayments. Buyers of all affordable units should anticipate paying at least 5% of the price of the home as a downpayment, and in addition they must pay all associated closing costs, which will be an additional 4% to 5%. Typically, these requirements will bring the total cash needed at closing to at least 9% to 10% of the purchase price. However, downpayments for MHFA-Financed units priced at the maximum levels allowed will have to be significantly higher in order to allow income-eligible families to qualify for financing. Some communities, as part of their participation in the program, may provide their own resources to assist the purchaser with his/her closing costs, but buyers should be advised that at least the 5% downpayment must be their own money.

- Commercial Space. No more than 15% of any HOP development can be used for commercial or office space. This is measured by both a square footage and unit basis. Obviously, no subsidized mortgage financing is available through the HOP Program for such space, but the requirement is imposed to maintain the residential character of any unit using MHFA and HOP financing.

- Continuing Residency. Lenders participating in the HOP Program will routinely check to ensure that the owners of an affordable unit continue to reside on the premises and are not renting his/her unit. In the event that such a violation of the mortgage were to be found, the MHFA and HOP mortgages will be terminated and all HOP subsidies will have to be immediately repaid to the program.

- Number of Units with Deed Restrictions: HOP policy on deed restrictions is covered elsewhere in these Guidelines. However, it should be noted that, where more than 40% of the units in a development have deed restrictions, specific project approval by FNMA will be required in order for the market rate mortgages to be eligible for secondary market financing, since normal FNMA requirements preclude approval of mortgages in projects where more than 40% of the units are deed restricted. This will not be an issue where 100% of the units are being financed through MHFA, as either HOP-Assisted or MHFA-Financed units.

- Condominium Documents: MHFA has designed a standard set of condominium documents that are available to be used for each HOP development. In instances where those documents are not used, the developer's lawyer must submit a copy of the proposed alternate documents, along with a detailed breakdown of each instance where they differ from the standard condo documents. An additional fee will be charged by MHFA to review such documents.

Deed Restrictions

The HOP Program strives to preserve the affordability of units beyond their initial sale and carry that benefit forward to subsequent re-sales as well. With units often selling for 15% to 50% (depending on the market) less than their appraised market value, it is essential that a long-term public benefit be derived through the program. A second factor seeks to bring the benefits of ownership and equity growth to each purchaser as his/her home appreciates in value. The purpose of this objective is to allow the owner to sell this unit and purchase a subsequent home without any further subsidies.

To carry-out these objectives, the HOP Program has established a series of legal mechanisms which include appropriate deed restriction devices and second mortgage loans. The basic structure of these devices are described below:

- Any HOP-Assisted unit initially selling for less than 85% of its appraised value will have its subsequent re-sale limited by the same percentage of future value. This will ensure that the relative affordability of that particular unit in the market-place is maintained. Units selling for 85%-100% of their appraised value may have this restriction waived at the discretion of MHP, based on the recommendation of the community and developer.

  For instance, if a unit appraised for $100,000 sells under the HOP Program for $75,000, then it has sold for 75% of its appraised value. If at the time of re-sale the appraised value of the unit is $150,000, it must be sold to an eligible homebuyer for $112,500 (or 75% of $150,000). If no eligible buyer is found, the unit may be sold to any buyer at any price, with any "windfall" profit being returned to MHP.

- Each purchaser of a deed-restricted unit must agree to notify the MHP and the involved community when the unit is to be sold. The local community and/or MHP is then given a period of time to find a purchaser for the unit, at the agreed-upon value.

- Any HOP-Assisted unit created as part of a HOP development constructed with a comprehensive permit will have its future re-sale limited so that the unit may be bought by the same general income group that was allowed to purchase the unit initially (i.e., low and moderate income).

- A second mortgage loan will be used to secure the HOP subsidy used to write-down the interest rate on all HOP-Assisted units. No payments will be required on this loan until the time of sale and no interest will be charged to the borrower. Upon sale, the <u>lesser</u> of the actual subsidy used or 20% of the allowed appreciation must be repaid to the MHP.

A standard set of legal documents has been developed for use by all participants. Additional restrictions may be proposed by participating communities in order to protect further investments that they have made. This will be allowed, with the express approval of the MHP and MHFA, if they can be made legally enforceable, if they do not adversely effect the

marketing of the units involved, and if they reflect commitments made to lower the cost of the home to the buyer.

Qualified Home Buyers

In addition to the income limits noted in the Program Structure section of these Guidelines, there are several other factors that are involved in selecting buyers to purchase the affordable units developed under the HOP Program.

Communities/developers will be required to submit an affirmative fair marketing plan to MHP and to MHFA outlining the steps that will be taken to advertise and market the available units. This plan must be in conformance with the standards of MHP and MHFA, and must generally detail how units will be advertised, and what marketing efforts will be employed, as well as any special steps that will be taken to provide outreach to minority or other affected groups. Beyond these requirements, developments will have specific goals established for minority participation. Each development will have as its goal minority participation among owners that is the greater of the percentage of minorities in the community or the regional planning district in which the community is located.

Subsequent to designing an affirmative marketing plan that can meet the minority goals for the development, the MHP may allow a certain percentage of the affordable units to be reserved for local residents. The portion of the development for which local preference will be allowed will be related to the commitments that the community makes to the project and will be negotiated by the community, developer, and the MHP; generally, the level will not exceed 60% to 70% of the units in a project. This level of local preference will always be subordinate to the affirmative action goals. Specific preferences may be established by the community (with the approval of the developer and MHP) and can include residency -- although it cannot be durational in nature -- and local employment.

A fair, open, and equitable selection process must be used to determine households that will be allowed to purchase an affordable unit, whether the process is managed by the community or the developer. It is generally recommended that a lottery process of some type be used to select potential homebuyers, although the exact structure of the process may be established by the community and developer with the approval of the MHP and MHFA. Given the likely demand for these affordable homes, a well-conceived and objective selection process is essential to the eventual success of the development.

As part of the selection process for potential homebuyers, a general pre-screening of applicants will be required to determine that: (1) the buyer is income-eligible to purchase either a HOP-Assisted or MHFA-financed unit; (2) the purchaser qualifies as a first-time homebuyer (i.e., never owned a home before or did not own a home as a principal residence for previous three years); and (3) the homebuyer can support the carrying costs required for the specific unit. This process will be carried-out by a "local certifying agent" who is capable of completing both functions. The MHP will work with the participants in the

development to determine who should fulfill the role of this local agent, although it may be either the community, the developer, or a contracted third party.

In determining eligibility to purchase an affordable unit, a homebuyer will first have to meet the basic eligibility standards of the program, in terms of: (a) maximum income, and (b) first-time homebuyer. In addition, the prospective homebuyer should anticipate that:

- At least 5% of the purchase price of the home must be paid as a downpayment by the buyer.
- The buyer will have to pay the closing costs associated with this loan (which might be as high as an additional 4%-5% of the price of the unit).
- The buyer's income and credit rating will have to meet the underwriting standards for the program.

Role of the Community

The MHP strongly encourages cities and towns to participate with developers in the development of a HOP project. It is essential that communities work to establish an effective local partnership which can work to create affordable housing within the community. This emphasis on collaboration is reflected in the priority that joint projects will have in the increasingly competitive HOP review process.

The role that a locality can play in a HOP development can differ dramatically from community-to-community and can be tailored to fit the particular community's available resources and capacities. Costs can be reduced by communities facilitating development and/or contributing resources. These savings will then, in turn, be passed along directly to the purchasers of these affordable homes. Some possible contributions that a community can make to a HOP development include:

- Supporting the development of affordable housing within the community as it moves through the local permitting and approval process. This up-front support by local officials can ensure a more speedy review of proposals.
- Creating a local housing partnership and establishing criteria for the development of affordable housing within the community. The partnership can define the types of housing that will be supported and give a clear signal to developers as to what will be supported locally.
- Waiving of local permitting fees for affordable housing developments.
- Granting density increases through special permits or variances for developments that would include affordable homes.

- Encouraging innovative zoning ordinances such as cluster or zero lot-line zoning, or planned unit developments to support the development of affordable homes.

- Using the comprehensive permit process to support the development of affordable housing.

- Donating locally-owned sites.

- Donating locally-owned buildings.

- Undertaking infrastructure projects, normally paid by the developer, which will reduce development costs for the project.

- Contributing local resources to be used for downpayment or closing costs by the buyers of the affordable units.

- Assisting in the marketing of the affordable units and thereby reducing the costs borne by the developer.

- Applying for governmental development grants on behalf of the developer to defray the cost of improvements normally paid for by the developer.

While the above list of contributions that a community can make to a HOP development is extensive, it is certainly not an exhaustive list. Communities are finding new ways every day to have an impact on the development costs of affordable housing.

The MHP strongly encourages communities and developers to work together in a collaborative way to produce affordable housing. It is generally easier and more cost-effective to proceed in a cooperative manner than an adverserial one. Where the community is actively participating in an affordable housing development, it will be responsive to local housing needs and in keeping with the character of the community.

Level of Profitability

Given the overall provisions of the HOP program relating to the number of units sold at reduced prices, there are not absolute limitations on the level of profitability of HOP projects. Nevertheless, communities are encouraged to negotiate with developers to obtain the highest level of affordability, while allowing for project feasibility. For some projects, it might reasonably be argued that a level of profitability of 15% (pre-tax, as a percentage of total costs) may be necessary for the project to be financially feasible. For some projects, however, where there is relatively little risk involved, lower levels of profitability may be appropriate; for other projects involving substantially greater risk or uncertainty, higher profitability may be necessary.

To a large degree, an accurate evaluation of the profitability requires a careful analysis of the project pro-forma and an examination of such questions as: (a) the degree to which the project supports land costs above the current value of the land; (b) the degree to which the pro-forma

includes adequate reserves for construction and other contingencies; (c) the expected marketability of the market units, as priced; (d) the assumptions in the pro-forma as to how quickly the units will be sold; and (e) other issues affecting the relative risk involved in the project. In the competitive review process, projects with lower levels of profitability will not be penalized, so long as the project is financially feasible. Similarly, projects with higher levels of profitability will not be penalized, if they have been able to achieve substantial levels of affordability within the project.

AVAILABILITY OF OTHER DEVELOPMENT FUNDS

The resources presently available under the HOP Program total $333 million. This includes $33 million in interest subsidy funding from the Massachusetts Housing Partnership. Due to the way in which HOP funds are used to write-down the interest rate on MHFA mortgage financing, it is anticipated that an additional $300 Million in MHFA financing will be leveraged to fund the acquisition of affordable housing units throughout the state. From this amount, it is projected that approximately 2,500 HOP-Assisted affordable housing units can be developed, with as many as 6,000 additional MHFA-financed and market-priced units being developed as well.

In addition to these funds, there are several other state programs that are being used to assist in the creation of affordable housing through the HOP Program. The three major programs are outlined briefly below:

(1) Community Development Action Grant (CDAG). Development funds are provided through the CDAG Program to underwrite the cost of infrastructure work that is normally borne by the developer. CDAG funds are generally provided in the form of a grant to the community (although it is possible for the developer to receive the money directly in certain circumstances) and can be used for streets, sidewalks, roads, water, sewer, and/or other utilities. Grants are limited to a maximum $500,000 per project, with up to $10,000 per affordable unit. In this context, affordable units would be defined to include both HOP-assisted units and units offered for sale to the local housing authority. It should be kept in mind that CDAG funds are limited, and that the award of CDAG funding will be extremely competitive.

(2) Municipal Advance Program (MAP). The MAP Program provides preliminary planning and full development planning grants to cities and towns participating in the development of a HOP project. These funds provided in the form of a "soft" loan, assist communities in analyzing a full-scale development or a particular piece of a project; however grants should be geared to a specific development or site. Funds range in amount from $5,000 to $30,000.

(3) Community Economic Development Assistance Corporation (CEDAC). Non-profits participating in HOP projects can access a special program of technical assistance resources provided through CEDAC. These funds, provided as loans, may be used as general planning or development analysis activities, up-front development costs, and site option and acquisition. The range of funding available under this program is $10,000 to $75,000.

Finally, from time-to-time other development and planning resources may be tapped in order to create affordable housing via the HOP Program. Possibilities of such programs include EOCD's Strategic Planning and Small Cities Program and can be used to cover the complete range of planning, pre-development, and development costs.

COMPREHENSIVE PERMITS AND THE HOP PROGRAM

Since its passage in 1969, the comprehensive permit statute (Chapter 774 of the Acts of 1969, Ch. 40B, MGL, also known as the "Anti-Snob Zoning Law") has proven to be an effective tool to promote the development of affordable housing throughout the Commonwealth.

Chapter 774 was enacted to allow housing for low and moderate income people throughout the state. It allows communities and developers to use a zoning tool known as a comprehensive permit to grant, in one permit, all the approvals necessary for a development to begin construction. In communities where less than 10% of its housing stock is considered subsidized, a developer can appeal the rejection or conditional approval of its permit application by the local Zoning Board of Appeals to the state Housing Appeals Committee.

The comprehensive permit process places a heavy emphasis on local negotiations to determine the appropriate type of development for a specific city/town. It ensures that all local boards and offices are given an opportunity to comment on the project and encourages local residents to voice their own opinion. The developer is expected to address all legitimate planning concerns made at this level of the review and to negotiate in good faith on these issues so that an acceptable local resolution may be achieved.

The HOP Program has been designed specifically as a "subsidizing" program whose developers are considered "Limited Dividend Organizations" under the terms of Chapter 774. Therefore, it is possible to utilize a comprehensive permit when constructing a HOP development.

It is not necessary for a HOP development to employ a comprehensive permit; however, some developers choose to do so because of the relief from local zoning that it allows. For those HOP projects that will need a comprehensive permit in order to go forward, there are basic differences with the structure of the program that should be noted. They are:

- A developer may submit a MHFA site evaluation request prior to an initial HOP application.

- All HOP-Assisted units financed within a HOP development constructed with a comprehensive permit must have re-sale limitations to ensure their continued affordability to low and moderate income families.

- All such deed-restricted HOP-Assisted units may be counted toward meeting a community's goal under the Chapter 774 statute.

- No local preference will be allowed in a HOP development where the community has continuously opposed the project.

Communities are advised not to begin the permit hearing process unless the developer submits a Site Approval Letter from MHFA noting that the site is suitable for housing development under the HOP program. During this process, comments will be solicited from the community to ensure that its concerns are communicated to the developer and have an opportunity to be addressed.

Further information on the use of the HOP Program in conjunction with the comprehensive permit statute may be found in the regulations governing the program contained in Section 5 of these Guidelines. Technical assistance and/or funds to assist the community to evaluate projects seeking approval for a comprehensive permit are available from the MHP to ensure that the best possible housing for any particular community is produced.

WAIVERS TO THESE GUIDELINES

Under certain limited circumstances, the Secretary may waive any or all of the provisions of these Guidelines, based on a determination that such waiver is consistent with the intent of the HOP program.

In some cases, the Secretary may determine that a proposed HOP project is eligible to apply even though it contains less than the minimum levels of affordability described in these Guidelines. This will be allowed where there is an explicit local policy that provides for a lower level of affordability, or other issues that would warrant a lower affordability mix. Specific examples of this alternative would include: a local inclusionary zoning ordinance that mandates a lower level of affordability for every residential development that takes place in the community; a local density bonus ordinance allowing more units to be built on a piece of land than would normally be allowed as long as a certain explicit number of units are affordable; a zoning overlay district that would allow such a development; or, where a developer already has adequately zoned land -- needs no other public subsidy -- and simply offers a number of units to be sold as affordable. While allowed, such projects will be carefully scrutinized before being approved to ensure that additional affordable units could not be secured and all affordable units must otherwise comply with the requirements of the program.

SECTION 3. APPLICATION PROCEDURES

This section of the HOP Guidelines is designed to briefly review the application procedures that will be used to evaluate proposals for HOP financing. It will provide an overview of the complete application process, the type of review that will be used to allocate resources, and the criteria that will be employed to evaluate applications for funds. It should be used in conjunction with the application package contained in Section 4 of these guidelines.

Overview of the Application Process

One of the major changes that has taken place in the HOP Program is a change in the way applications for funding may be submitted. Previously, applications to the program were accepted on a continuous basis whenever they were ready to go forward. Proposals were approved or rejected based on a review against a set of minimum program requirements. However, over the past 12 months the demand for resources has far outstripped the ability of the program to respond. Therefore, in order to respond to this tremendous demand for resources and to ensure that the best possible projects are funded, a competitive process has been established to allocate HOP funds.

The HOP Program has been structured as a two phased effort, including initial and final applications. The competitive portion of the process will focus on the initial application (see Section 4 for a copy of the application). Proposals that are submitted for consideration will be evaluated by a review team made up of MHP and MHFA staff to ensure its consistency with program guidelines and project underwriting standards. If the proposal is complete, meets all program requirements, and competes favorably with all other proposals, it will receive a preliminary approval and an invitation to apply for a commitment mortgage funds from MHFA.

Thereafter, a final Builder/Developer application must be submitted to MHFA, generally within 60 days of initial approval. This application will require more detailed information such as design drawings, appraisals, condominium documents, and an affirmative fair marketing plan, but is done at a time when a preliminary commitment of funds has already been made to the project. Before the final approval can be made to a development it must receive the acceptance of the project mortgage underwriter and the approval of the MHFA Board. Construction on a project should not take place until this final approval is secured.

Application Deadlines and Funding Rounds

Approximately $13 Million will be available over the next year for HOP projects submitted during the competitive process. These funds will be awarded in large part through two competitive funding rounds whose deadlines are listed below. It is expected that in each funding round there will be adequate resources available to fund 25 to 30 projects, totalling approximately 1,800 units altogether, with 500 units of HOP-financed housing.

Applications will be accepted as follows with funding decisions made approximately two months from the deadline below:

Round 1 - March 1988

Round 2 - October 1988

It is expected that projects submitted for Round 1 will be ready and capable of going into construction in the Summer and Fall of 1988, while applications submitted in Round 2 should be ready to proceed in the Spring of 1989. The competitive criteria discussed later in this section will reflect a heavy weighting for those projects that can meet such a schedule.

Evaluation Criteria

The evaluation of HOP proposals through a competitive allocation process will take place in two stages. First, all applications will be expected to meet all of the threshold criteria listed below. Proposals that do not meet these criteria will be rejected as inadequate. Thereafter, the proposals will be reviewed based on the competitive criteria which follows. The relative excellence of these developments when compared with other projects that were submitted will determine which projects will eventually receive funding.

(1) Threshold Criteria

The following criteria must be met by each application for HOP funds before being allowed to move into the competitive phase of the review process. The threshold criteria include:

- The application must be complete (including all related materials).

- The proposal must contain the expressed support of the involved community (as witnessed through a signed letter by the local chief elected official), or documentation from the developer demonstrating sufficient efforts to obtain such support and address any legitimate concerns raised by the community in the process.

- The application must include written support from the local housing partnership (if one exists), or documentation from the developer noting why this was not possible.

- At least 30% of the units within the development must be affordable with a unit mix that is reflective of the requirements of the program.

- Affordable units must be priced within the guidelines of the Program.

- The development must comply with the minimum construction standards established for the HOP Program.

- For developments that will be using a comprehensive permit, a site approval letter must be included in the proposal, and any issues raised in that letter must be addressed through the submission of additional materials.

(2) Competitive Criteria

Once all proposals have been reviewed to determine their compliance with the threshold criteria of the HOP Program, all proposals will compete against one another for the available funds. This competition will be guided by the criteria outlined below:

A. Housing Need and Affordability (30%):

- The level of affordable housing need in the community in which the development is located and the consistency of this development to meeting those housing needs.

- The inclusion of a greater number of units for rental by low-income families or by special needs households (up to 10%) in the proposed development.

- The inclusion of units at prices that can be afforded by families at lower income levels and by the broadest range of incomes, particularly through the provision of units that are priced below the maximum amounts set by the program, or units that are otherwise affordable to lower income people. This standard will be measured against the goal of reaching households with incomes below 80% of the median income for the area. (See the Appendix for listing of target income levels by area.)

- Because the income levels served by the proposal will be a central criteria, where all other things are equal, single family homes (detached or attached) will receive priority over condominium projects at the same prices. Since condominium fees must be included in under-writing the mortgage loans, the advantage of single-family ownership will typically translate into an equivalent price reduction of at least $15,000.

- The lowest level possible of public subsidies required to create the level of affordability present in the development.

- The inclusion of additional numbers of affordable units beyond the minimum levels required by the program.

B. Local Support (25%):

- Where a community and its local housing partnership have supported a project, the relative level of that support and/or contributions, given the community's ability to participate.

- Where such local support has not been granted, the extent to which the developer has addressed the issues that have been raised by the community and/or the local partnership.

C. Strong Design, Team, and Marketability (25%):

- The overall strength of the development team will be evaluated. Specific emphasis will be placed on the track record of various members of the team, experiences with similarly-scaled projects, and (particularly where comprehensive permits are concerned) previous experience with successfully completing such a development. In reviewing proposals, bonus points will be awarded to those projects for which the development team includes participation by women and minority-owned firms.

- The appropriateness of the design of the development for the specific site, given the characteristics of the community and the market being served.

- The feasibility of the project to be developed as designed.

- The marketability of the proposed development.

D. Readiness to Move into Construction (15%):

- The ability of the project to move quickly into construction once initial approval has been granted. Developments should generally be ready for construction within 60 to 90 days of this approval.

E. Geographic Distribution (5%):

- The degree to which the proposal is located in a community or region in which few HOP projects have previously been approved.

All proposals will be evaluated and ranked according to the above criteria, with recommendations for funding made to the Secretary of EOCD and the Executive Director of MHFA. It is expected that decisions will be made within two months of the deadline for the competition round.

Secretary's Discretionary Fund

Instituting a competitive application process with only 2 funding rounds per year may not in some circumstances provide adequate flexibility to respond to projects that come forward at other times during the year and which could not wait for the next funding round. For this purpose, the Secretary's Discretionary Fund has been established so that such projects will not be unduly delayed and can proceed immediately to construction.

Access to the Discretionary Fund will be strictly limited in accordance with the criteria listed in this section. The budget for this Fund will not exceed 20% of the funds available during that round of funding. Additionally, the following criteria will be applied:

- The development must be fully consistent with all threshold requirements of the HOP Program.
- It must have the full support of the community and the local housing partnership (if one exists).
- The project must be fully permitted and capable of going into construction within 60 days of project approval.
- There must be a pressing need for the project to be considered out of step with the competitive process.
- The development should not be larger than 80 units and should not contain more than 40 affordable units of housing.

Applications to the Secretary's Discretionary Fund should be made on the standard application package contained in the following section and should be submitted in accordance with the instructions noted therein.

SECTION 4. HOP PROGRAM REGULATIONS

The HOP Regulations were originally promulgated on May 1, 1987. Since that time, the program has gone through a number of changes. With the publication of these Guidelines, important changes are being proposed which require an amendment to the Regulations.

The minimum requirements of the HOP Program in terms of the percentage of affordable units is now set uniformly at 30%. Typically, this will translate to a minimum of 25% HOP-Assisted units and 5% Low-Income Rental Units.

These percentage requirements will apply to all HOP projects -- whether or not they intend to utilize the Chapter 774 comprehensive permit process. Previously, Chapter 774 projects were required to have at least 20% HOP-Assisted units and 20% MHFA-Financed units. These changes are summarized in the following table:

	Previous Guidelines		New Guidelines	
	Normal	Ch. 774	Normal	Ch. 774
Low-Income Rental	0%	0%	5%	5%
HOP-Assisted Units	12.5%	20%	25%	25%
MHFA-Financed Units	12.5%	20%	n/a	n/a

These changes necessitate an amendment to the HOP Regulations. To be specific, it is proposed that Section 37.10 of the Regulations be amended to read as follows:

"37.10 LOW AND MODERATE INCOME HOUSING DEVELOPMENT

Pursuant to M.G.L. Chapter 40 B, there may be certain instances when a housing development approved under the auspices of the HOP Program may be considered eligible for a comprehensive permit. In order for a HOP Development to be so eligible, it must also meet the requirements stated in the Low or Moderate Income Housing Development portion of 760 CMR 37.02 and otherwise consistent with 760 CMR 37.00 and M.G.L. Chapter 40B. At least 30% of the total number of units shall be made available to eligible Low and Moderate Income Households and be financed with HOP Assisted Mortgages, or made available for rental to Low Income Households, or otherwise be affordable as determined by the Department. At least 5% of

the total number of units shall be made available for rental to Low Income Households. Furthermore, HOP Units created as part of such Low or Moderate Income Housing Developments shall have Re-sale Controls imposed on them consistent with 760 CMR 37.08.

Those units financed with HOP Assisted Mortgages, or made available for rental to Low Income Households, or otherwise defined as affordable by the Department pursuant to 760 CMR 37.00, may be counted as subsidized for the purposes of demonstrating compliance with the requirements of M.G.L. Chapter 40B. In accordance with the submission of this material to a local Zoning Board of Appeals as part of the comprehensive permitting process, a developer intending to undertake a HOP Development that also qualifies under 760 CMR 37.10 may apply for a site approval letter from MHFA or from the Massachusetts Housing Partnership prior to the submission of an application under the HOP Program."

The HOP Regulations which follow are those as originally promulgated. The Regulations are currently in the process of being amended, and it is anticipated that the changes outlined above will be incorporated into the Regulations prior to the March 1988 funding round.

760 CMR 37.00 DEPARTMENT OF COMMUNITY AFFAIRS

MASSACHUSETTS HOUSING PARTNERSHIP - HOMEOWNERSHIP PROGRAM

37.01 INTRODUCTION

The Massachusetts Housing Partnership Fund has been established pursuant to Chapter 405, Section 35 of the Acts of 1985, in order to provide for the production of decent, safe and sanitary housing that is affordable to households within the Commonwealth which would not otherwise be able to purchase such housing. Towards this end, the Massachusetts Housing Partnership Fund Board was constituted along with the Massachusetts Housing Partnership Board to guide the design of affordable housing initiatives and the allocation of available resources to produce such housing. The Executive Office of Communities and Development has been designated by the MHP Fund Board as the primary administrative agency for the implementation of approved programs and for the distribution of funds provided through the MHP Fund and other legislative appropriations.

The Homeownership Program (HOP) was developed as a major initiative of the Massachusetts Housing Partnership and the first state-funded program to address the issue of affordable housing on an ownership basis. Since its inception in 1986, response to the program from local communities and developers has been strong. Therefore, interim guidelines were designed to guide interested participants through the emerging structure of the HOP Program. As a result, a number of applications were submitted to the Department seeking to implement a HOP Development in accordance with those interim guidelines. Any HOP application submitted before the effective date of 760 CMR 37.00, but otherwise in compliance with the interim guidelines in effect at the date of its submission, will be considered to

meet the requirements of the HOP Program and will be eligible to receive funds from the HOP Program, as well as from any other complementary development program. Those interim guidelines shall be in effect until HOP Guidelines are issued pursuant to 760 CMR 37.00.

37.02 DEFINITIONS

(1) Department means the Department of Community Affairs within the Executive Office of Communities and Development, as established and existing pursuant to M.G.L. Chapters 23B and 6A.

(2) HOP Assisted Mortgage means a HOP Financed Mortgage on which a portion of the debt service will be paid by the Department on behalf of an eligible Low or Moderate Income Household.

(3) HOP Development means a housing development as approved by the Department, under the HOP Program and in accordance with 760 CMR 37.06. The specific mix of ownership of the units within such a development will be specified from time to time by the Department.

(4) HOP Financed Mortgage means a mortgage made or financed with proceeds provided by the MHFA, or other such public or private entity designated by the Department which is prepared to provide mortgage financing under the terms of the HOP Program to Low or Moderate Income Households.

(5) HOP Guidelines means any program documents issued pursuant to 760 CMR 37.00 by the Department or MHFA, and updated from time to time, which explain in further detail the HOP Program, how program funds may be obtained and utilized, and how HOP Developments may be implemented.

(6) HOP means the homeownership program established pursuant to Chapter 405, Section 35 of the Acts of 1985 and 760 CMR 37.00 to assist Low or Moderate Income Households to acquire affordable homes.

(7) HOP Unit means a housing unit within a HOP Development that is available for sale at a price and with mortgage financing such that it may be purchased by Low or Moderate Income Households without the expenditure of an excessive amount of income for housing, as determined by current mortgage lending practices. From time to time the Department or MHFA shall publish the permissible sales price limitations applicable to HOP Units.

(8) Limited Dividend Organization means a partnership, corporation, cooperative corporation, or other entity approved by the Department that agrees to limit its return by building a Low or Moderate Income Housing Development and not distributing to its partners or owners more than a ten percent (10%) return on equity until the development, or the particular phase of the development involved in the HOP Program, has been completed, as determined by the Department.

(9) Low or Moderate Income Housing Development means a HOP Development for which a comprehensive permit will be sought pursuant to M.G.L. Chapter 40B. The specific composition of the housing units within such a development will be specified from time to time by the Department and will be consistent with 760 CMR 37.10.

(10) Low or Moderate Income Households means persons or families whose annual income is not adequate to enable them to purchase, operate and maintain decent, safe and sanitary housing without spending a greater portion of income than allowed in current mortgage lending practices. Of this group, persons or families who meet further income qualifications may be entitled to benefits as set out in the HOP Guidelines. Such benefits may include, but need not be limited to, HOP Assisted Mortgages or HOP Financed Mortgages. From time to time the Department and MHFA shall publish income limits to be used in determining eligibility as a Low or Moderate Income Household and the type of benefits that may be available to such households.

(11) MHFA means the Massachusetts Housing Finance Agency established and existing pursuant to Chapter 708 of the Acts of 1968, as amended.

(12) MHP means the Massachusetts Housing Partnership.

(13) MHP Fund means the fund established pursuant to Chapter 405, Section 35 of the Acts of 1985 and providing resources to create affordable housing opportunities for Low or Moderate Income Households.

(14) Market Unit means a housing unit in a HOP Development that is available for sale to a homebuyer, at market prices, without the benefit of a HOP Assisted Mortgage or HOP Financed Mortgage, and without any Re-sale Controls.

(15) Re-sale Controls means the controls imposed on housing units purchased through HOP Assisted or HOP Financed Mortgages within a HOP Development to ensure the continued affordability of those units to eligible homebuyers by limiting their re-sale in accordance with the standards of the HOP Program. These controls may include deed restrictions, subordinate mortgages, or other devices approved or required by the Department.

(16) Secretary means the secretary of the Executive Office of Communities and Development.

37.03 PROGRAM PURPOSE AND OBJECTIVES

The Homeownership Program (HOP) has been established as a joint effort between the Executive Office of Communities and Development and the Massachusetts Housing Finance Agency. Its purpose is to sponsor the creation or retention of affordable housing units through the use of public and private sector development incentives. This program has been designed to encourage the construction or purchase of new or existing housing units or the substantial renovation of previously unused or underutilized space

for residential purposes, regardless of prior use, and to make these units available to people with the broadest possible range of incomes. In response to various housing markets and differing local needs, a wide range of housing types may be considered under the HOP Program; including, but not limited to single family attached or detached homes, condominiums, or cooperatives. Further, the Department's goal of producing housing that is affordable by Low or Moderate Income Households must be considered in conjunction with the social and economic benefits associated with housing developments which serve households with a variety of incomes. The Department will design and/or assist in the utilization of financial, developmental, or regulatory incentives to ensure that a portion of the units available in any approved HOP Development are provided at a cost and in such a way that they are affordable to Low or Moderate Income Households. These incentives may include the use of available resources to reduce mortgage financing to eligible households, or otherwise reduce the price of the units to a point where they can be purchased by Low or Moderate Income Households. In those instances where funds are used to reduce the effective cost of available financing, such assistance may be required to be repaid to the MHP Fund or to EOCD so that additional affordable housing units can be produced.

37.04 APPLICATION PROCEDURES

In order to supplement 760 CMR 37.00, the Department will issue, from time to time, guidelines that further describe the HOP Program. These HOP Guidelines will specify the procedures that are to be followed in order to obtain funds, the ways that funds may be utilized to produce affordable housing, and the minimum requirements that will have to be met in order for projects to be designated as HOP Developments. In accordance with these HOP Guidelines, the Department may publish a schedule of fees adequate to cover its reasonable administrative costs incurred in operating this program.

37.05 ELIGIBLE APPLICANTS

It is the primary goal of the HOP Program to encourage communities to play an active role in organizing a local housing partnership, identifying their housing needs and taking specific steps to develop the type of housing that is appropriate to meet those needs. The HOP Program, therefore, has been designed to give priority consideration to applications that are submitted as collaborative (i.e. joint) efforts between the community and the proposed developer and will allocate its resources accordingly.

In addition to such applications, an application will also be considered if otherwise eligible in accordance with the HOP Guidelines and if it is submitted by:

(1) a community seeking a set-aside of funds for a HOP Development, but for which a development entity has not yet been selected;

(2) a developer that has secured the written support of the involved community for the project, but not its active participation in the program; or

(3) a developer who has not been successful in securing either the participation or the approval of the involved community for the proposed HOP Development, but otherwise has an eligible proposal and provided further that, in this case, the project meets the requirements of a Low or Moderate Income Housing Development as defined in 760 CMR 37.10.

In reviewing applications submitted under the HOP Program, the Secretary will take into consideration comments, whether in support or opposition, from relevant communities, local housing partnerships, involved boards and commissions, and citizens prior to making a decision.

37.06 ELIGIBLE HOP DEVELOPMENTS

Applications for HOP Developments shall be submitted by eligible applicants in accordance with the procedures developed for the HOP Program by the Department. HOP Developments may include a mix of both HOP Units and Market Units in a manner that is appropriate to ensure the economic and programmatic feasibility of the particular project. Factors which may determine the mix include:

(1) the character of the community and the development's relationship to that character;

(2) the level of other contributions that are being made to the development; and

(3) the goals of the HOP Program.

Since one of the primary goals of the HOP Program is to produce as many HOP Units as possible in each development for the lowest possible public cost, The Department shall from time to time specify the mix of HOP Units and Market Units contained in a HOP Development that will be required as minimum levels for participation under the HOP Program. At least 25% of the total number of units available shall be sold to eligible Low or Moderate Income Households and be financed by HOP Assisted Mortgages or HOP Financed Mortgages, or otherwise be affordable as determined by the Department. From time to time, the Department may allow a HOP Development to be designated with fewer than 25% of its units being affordable. At such times, and supported by specific circumstances such as inclusionary zoning ordinances, the full specifications of such a development will be described in the HOP Guidelines.

In order to ensure the long term affordability of these units, their re-sale may be governed by Re-sale Controls which shall last for a period of forty (40) years from the time of the initial sale of the unit, or as may be otherwise specified by the Department consistent with 760 CMR 37.08.

Additionally, the Department shall establish criteria for the review of applications submitted under the HOP Program to assist in determining which projects should receive funding. These criteria shall be fully described in the HOP Guidelines and shall, whenever possible, give priority consideration to projects that have the support of the community and local housing partnership, and contain the highest number of affordable units consistent with the other goals of the HOP Program.

37.07 FINANCING

In order to develop housing units that are available for sale to and affordable by Low or Moderate Income Households, the Department may institute a series of incentives that encourage the production of these units for such households. In addition to regulatory, design, planning, and development incentives, financial mechanisms may also be provided. These may include, but need not be limited to HOP Financed Mortgages and HOP Assisted Mortgages. Furthermore, any eligible household receiving a MHFA mortgage loan must comply with MHFA's requirements with respect to each loan. The specifics of these mortgages are:

(1) HOP Financed Mortgages. As part of an approved HOP Development, MHFA or any other lender approved by the Department shall cause mortgage loans to be issued to eligible Low or Moderate Income Households. Such HOP Financed Mortgages shall, generally, be consistent with MHFA mortgage lending criteria and be issued:

(A) for units that are priced within the applicable acquisition levels as determined by the Department;

(B) to households that meet the income limits established by the Department and are bankable using current mortgage underwriting standards; and

(C) for a term that is consistent with the length of similar mortgage loans issued by the MHFA.

(2) HOP Assisted Mortgages. Low or Moderate Income Households that are unable to satisfy the mortgage underwriting standards applicable to a HOP Financed Mortgage and have incomes at or below the levels established from time to time by the Department, may be eligible to receive a HOP Assisted Mortgage. HOP Assisted Mortgages are HOP Financed Mortgages, where the effective cost to the borrowers will be reduced through subsidy payments made by the Department on behalf of the borrower. The subsidy amount will be secured by a second mortgage and shall be issued:

(A) for units that are priced within the applicable acquisition levels as determined by the Department;

(B) to households that meet the income limits established by the Department and are bankable using current mortgage lending criteria; and

(C) for a term that is consistent with the length of similar mortgage loans issued by MHFA.

Specific details relating to the applicability and use of HOP Financed Mortgages and HOP Assisted Mortgages shall be contained in the HOP Guidelines. Additionally, other financing mechanisms, other resources available from the MHP Fund, money from other development programs, or other local funds may be necessary in order to create a successful HOP Development. In such instances where other public funds are involved in the project, it is expected that these funds will be employed to reduce the actual acquisition price of a HOP Unit and thereby pass along these savings to the eligible Low or Moderate Income Household.

37.08 RE-SALE CONTROLS

All or a portion of the housing units created as part of a HOP Development and sold to eligible Low or Moderate Income Households shall have limitations governing their re-sale which must be satisfied before the property can be sold by its owner(s). The purpose of these limitations is to preserve the long-term affordability of the units and to ensure the continued availability of these units to Low or Moderate Income Households. Re-sale controls shall, generally, be limited to those units that:

(1) receive HOP Financed Mortgages or HOP Assisted Mortgages;

(2) are sold at prices significantly below their actual appraised market value; or

(3) as may be otherwise identified by the eligible applicant with the approval of the Department. Any controls designed to limit the re-sale of a HOP Unit shall be consistent with the HOP Guidelines.

All controls that are applied to a HOP Unit shall be based on an objective formula that is known to the homebuyer in advance of the purchase of that unit. Examples of possible re-sale controls are: imposing a percentage of appraised value on the unit at the time of initial sale and carrying that value through in subsequent re-sales; limiting an increase in value to a specified annual increase; or limiting an increase in value to a specific indicator. These Re-sale Controls shall last for a period of 40 years from the date of the initial sale of the unit. Any such controls effecting the re-sale of these units may be employed only with the expressed approval of the Department.

For certain units that are created as part of a Low or Moderate Income Housing Development additional Re-sale Controls may be imposed. These controls are intended to ensure that, to the maximum extent feasible and fair, those units are re-sold to Low or Moderate Income Households that would qualify for a HOP Assisted Mortgage. These additional controls shall, generally, extend for a period of 15 years from the date of initial sale of the unit and will, thereafter, revert to the standard set of Re-sale Controls existing for HOP Units for an additional 25 year period.

37.09 BUYER SELECTION

A plan setting forth, in detail, the efforts that will be utilized to market all HOP Units must be submitted by the developer and/or the community to the Department prior to the public offering of the units. This plan, subject to the approval of the Department and MHFA, shall:

(1) specify any special preferences that will be used to select potential homebuyers and the extent of those preferences;

(2) describe actions that will be taken to affirmatively market all units;

(3) describe an objective process for the selection of homebuyers for HOP Units ensuring open and equitable access for potential homebuyers; and

(4) allow for the timely sale of the units during a reasonable marketing period.

In addition to these general standards, communities may apply to have local residency preference in selecting purchasers as long as these preferences do not conflict with the affirmative fair marketing standards of the HOP Program. In instances where a local residency preference has been approved by the Department, there shall be no requirement limiting preference to residents who have lived in the community for any particular duration of time. Additionally, communities may use current or planned employment in the community as a factor in determining local preference.

Local marketing plans and buyer selection criteria applicable to each HOP Development must be approved by the Department and MHFA prior to the offering for sale of any HOP Units. Such plans and criteria must be in compliance with HOP Guidelines established for the HOP Program and should, generally, reflect the level of local contributions made to the project to increase the affordability of the HOP Units in determining the level of local preference to be permitted.

37.10 LOW AND MODERATE INCOME HOUSING DEVELOPMENTS

Pursuant to M.G.L. Chapter 40B, there may be certain instances when a housing development approved under the auspices of the HOP Program may be considered eligible for a comprehensive permit. In order for a HOP Development to be so eligible, it must also meet the requirements stated in the Low or Moderate Income Housing Development portion of 760 CMR 37.02 and otherwise be consistent with 760 CMR 37.00 and M.G.L. Chapter 40B. At least 40% of the total number of units shall be made available to eligible Low or Moderate Income Households and be financed with HOP Assisted Mortgages or HOP Financed Mortgages, or otherwise be affordable as determined by the Department. This specific percentage of affordable units may be reduced to as low as 25% if, in the opinion of the local Zoning Board of Appeals, additional Market Units are needed to make the project

feasible. Regardless of the percentage of units being made available to low or moderate income households, at leat 20% of the total number of units must be made available to households such that they would otherwise be eligible for a HOP assisted mortgage. Furthermore, HOP Units created as part of such Low or Moderate Income Housing Developments shall have Re-sale Controls imposed on them consistent with 760 CMR 37.08.

All references to Low or Moderate Income Housing Developments contained in 760 CMR 37.00 apply to any HOP Development for which a community grants or consents to the granting of a comprehensive permit. Those units financed with HOP Assisted Mortgages or HOP Financed Mortgages, or otherwise defined as affordable by the Department pursuant to 760 CMR 37.00 may be counted as subsidized by the community for the purposes of demonstrating compliance with the requirements of M.G.L. Chapter 40B. In accordance with the submission of this material to a local Zoning Board of Appeals as part of the comprehensive permitting process, a developer intending to undertake a HOP Development that also qualifies under 760 CMR 37.10 may apply for a site approval letter from MHFA simultaneously with the submission of its application to the HOP Program.

37.11 WAIVER

The Secretary may waive in writing any provision of 760 CMR 37.00 when in the judgement of the Secretary, strict compliance with such provision will result in undue hardship and will be inconsistent with the purposes of the HOP Program. No waiver shall be made if it would conflicts with the provisions of Chapter 405, Section 35 of the Acts of 1985, Section 35.

REGULATORY AUTHORITY: M.G.L. c.23B sec.6

APPENDIX A

MINIMUM CONSTRUCTION STANDARDS (DESIGN GUIDELINES)

In general, the MHP relies upon the local community to establish the design standards for HOP proposals. However, MHFA has established the following recommended criteria to guide developers in the design of their proposals and to establish the minimum construction standards which HOP proposals should meet. The primary objective of these recommended minimum construction standards is to produce well-designed units, whose operating and maintenance costs are affordable to lower and moderate income households.

The MHFA will carry out the minimum construction standard review for all units built in conjunction with the HOP.

Applicable Codes

The homes must conform to the following codes:

(1) Commonwealth of Massachusetts State Building Code.

(2) 105 CMR 410.00 Minimum Standards of Fitness for Human Habitation (State Sanitary Code).

In addition, the developer must secure all necessary local and state approvals governing environmental, historic, and zoning prior to commencement of construction.

Size of Units

Due to various third-party and underwriting requirements the minimum home size must be at least 700 livable square feet (excluding unfinished areas).

In addition, the square footage will be reviewed to insure that the low and moderate income homebuyer is purchasing a home that is comparable to similar sized homes in the market area. Proposals with homes under the following recommended sizes will be required to provide information showing why the home is so sized:

1 bedroom - 700 square feet
2 bedroom - 900 square feet
3 bedroom - 1,200 square feet
4 bedroom - 1,400 square feet

Integration of Assisted Homes

The overall design proposal will be reviewed to insure that the lower income households incur no detrimental social or physical effects due to the design or location of their homes. Affordable units should be equitably dispersed throughout the development.

Quality of Materials

The quality of materials and fixtures provided in the assisted homes will be reviewed to insure that no excessive maintenance costs will be borne by the low and moderate income homebuyer.

Quality of Common Facilities

The quality of any common facilities that may be provided such as roads, utility lines, or amenities should meet market standards. Applicable codes will be reviewed to insure that no excessive common charges will be borne by the low and moderate income homebuyer.

Energy Conservation and Energy Systems

In order to prevent excessive operating costs to the low and moderate income homebuyer, energy conservation components and energy systems will be reviewed. The minimum standard for fossil fuel and electric heated homes is the proposed new state building code standard.

Guarantees

Homes must be covered by either a one year limited guarantee, a H.O.W. warranty, or comparable guarantee which would guarantee labor, materials, and the installation and operation of all equipment and mechanical systems.

APPENDIX B

HOP FINANCED UNITS

TARGET INCOME LEVELS

The following income levels are the target incomes for the HOP Program, based on 80% of median family for each Metropolitan Statistical Area (MSA), Primary Metropolitan Statistical Area (PMSA), or non-metropolitan county in the state.

AREA	HOP INCOME TARGET
Boston PMSA	29,920
Brockton PMSA	27,040
Fall River PMSA	20,960
Fitchburg-Leominster MSA	24,640
Lawrence-Haverhill PMSA	28,000
Lowell PMSA	29,520
New Bedford MSA	20,800
Attleboro (Pawtucket/Woonsocket RI) PMSA	24,800
Pittsfield MSA	25,840
Salem-Gloucester PMSA	30,400
Springfield MSA	24,160
Worcester MSA	26,080

NON-SMSA	HOP INCOME LIMIT
Barnstable County	22,640
Berkshire County	22,560
Bristol County	24,080
Dukes County	20,400
Franklin County	22,480
Hampden County	23,600
Hampshire County	24,400
Nantucket County	27,840
Plymouth County	20,320
Worcester County	24,320

APPENDIX C

MHFA FINANCED UNITS

GROSS ANNUAL HOUSEHOLD INCOME LIMITS

These limits are based on the "Gross Annual Household Income," which is defined as the aggregate annualized gross income of the borrower and all other people living in or expecting to live in the Residence which the borrowers will be occupying at the time of the loan closing.

AREA	HOUSEHOLD SIZE	
	1 person	2 or more persons
Boston area	38,000	43,000
Lawrence-Haverhill	38,000	40,200
Lowell area	38,000	42,450
Salem-Gloucester area	38,000	43,700
Pawtucket-Woonsocket Attleboro area	38,000	39,600
Balance of the Commonwealth	38,000	39,600

APPENDIX D

MATERIALS REQUIRED FOR INITIAL HOP APPLICATION

The following materials must be submitted in order to be considered for an initial commitment of HOP funding: (See the instructions accompanying the application package for further instructions.)

(1) HOP Application Package

(2) Community Letter: If applicable, a letter of transmittal and support for the project must be submitted. If a letter of support cannot be submitted, then an explanation of the circumstances must be submitted.

(3) Local Housing Partnership Letter: In instances where the involved community is also a designated local housing partnership, a letter of support (covering the same issues as noted above) should be submitted.

(4) Developer's Resume

(5) Community/Area Map: A map of the community/area, noting the site for the project in relation to the rest of the community.

(6) Site Map: A map of site noting relationship to the immediate neighborhood.

(7) Development Footprint: The location of proposed buildings on site and roads and parking areas.

(8) Unit Plan: Preliminary schematic plan showing elevation of the buildings and interior layouts of units. Various unit types (e.g., public housing, HOP-assisted, MHFA-financed, market) should be separately identified and located within the various buildings.

(9) Purchase and Sale Agreement: Documentation must be submitted noting the price of the land actually paid at the last "arm's length" transaction.

(10) MHFA Site Approval Letter: For developments attempting to utilize a comprehensive permit, it is expected that the application will include a site approval letter; nevertheless, it will not be required if two conditions can be met, namely: (a) a complete site approval application has been submitted to MHFA; and (b) the developer can provide evidence that the project has the strong support of the community and that the timely issuance of the comprehensive permit can be assured.

(11) Market Study: Preliminary study of the market for the type of housing that is proposed to be produced in the given market area.

(12) Construction Financing: If a commitment for construction financing has been made, the commitment letter noting any and all conditions must be submitted.

(13) CDAG Application: If requesting CDAG, five copies must be submitted.

(14) Participation by Minority/Women-Owned Firms: In order to secure bonus points for participation on the development team by women and minority-owned businesses, the proposal should clearly indicate participation not only by women and minority-owned businesses as developer, co-developer, or builder, but also as architect, engineer, attorney, marketing agent, or contracting or sub-contracting firms.

(15) Readiness to Proceed: If a project sponsor believes that they should receive additional points in the competitive review based on their <u>readiness to proceed</u> (as outlined on page 28), then they should submit the following additional information: (a) the most complete design documents available, such as architectural and/or mechanical drawings, and specifications; and (b) information on the current status of <u>all</u> approvals needed for the project to proceed.

(16) Construction Standards: In order to verify that the proposal meets the minimum construction standards of the program, please submit information on the materials, insulation levels, and heating system to be used. This can be in the form of a single page listing, a spec sheet from a manufactured home supplier, or outline specifications prepared by an architect.

(17) Development Team Experience: In order to fairly evaluate the strength and experience of each development team in the competition, the following information should be submitted: (a) references from previous development projects, particularly for those similar to the proposed project, including the phone numbers for contact people; (b) bank references; and (c) a real estate holdings form. As part of the review process for the competition, a credit check will be undertaken for the developer of the proposed project. By completing and submitting the application package, the developer acknowledges that this will be done and grants his/her approval.

(18) Site Directions: The developer should submit detailed written directions to the proposed site.

APPENDIX E

MATERIALS REQUIRED FOR FINAL MHFA APPLICATION

Those projects which are approved for HOP funding will be required to submit five copies of the following documents to MHFA for final review, in order to secure a commitment of mortgage financing.

(1) MHFA Final Application for Commitment of Mortgage Set-Aside

(2) General Documents: the following must be submitted for all HOP projects:

- Site Plan (1 original and 4 copies) showing
  - building locations and dimensions
  - roadways and parking with number of parking spaces
  - exterior recreation facilities
- Unit Plan (1 original and 4 copies) showing
  - major unit types with square footage tabulation
- Building Elevation (1 original and 1 copy)
- Wall Sections showing
  - building materials, construction type
  - insulation levels (tabulation of r value)
- Outline Specifications
- Scattered Site Listing (if necessary)
- Anticipated Cost/Sales Schedule*
- Anticipated Subcontracting Needs List
- Affirmative Action Certificate
- Income Statement of Developer
- Market Study*
- Affirmative Fair Marketing Plan
- Site Evaluation Application*

* Must be submitted if not done earlier or if changed substantially from earlier submission.

(2) Condominium Documents: the following must be submitted for all condominium projects:

- Master Deed
- Condominium Association Bylaws
- Declaration of Trust
- Homeowner's Association Agreement
- Management Agreement/Plan
- Master Appraisal for entire project or FHLMC Appraisal Form 465 with Addendum A (Feasibility Study)
- Marketing Study
- One Individual Unit Appraisal
- Homeowners Association Operating Budget or FHLMC Form 465 Addendum B. Please itemize replacement reserve amounts.
- An Arbitration Agreement should be included in Condo Documents.
- Master Insurance Policy

Construction of a project must not begin until final MHFA Board Approval.